

# **City of Oskaloosa, Iowa**

Primary Government

Financial and Compliance Report

Year Ended June 30, 2004

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**City of Oskaloosa, Iowa**

**City Officials  
June 30, 2004**

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LEGISLATIVE		
Name	Position	Term Expiration January
Thomas Reilly	Mayor	2006
Keith Garrett	Council Member	2006
David Krutzfeldt	Council Member	2006
Jimmy Carter	Council Member	2006
Kellene Minter	Council Member	2006
Pamela Blomgren	Council Member	2008
Eric Palmer	Council Member	2008
Michael Stout	Council Member	2008

**City Departmental Staff**

Donald Sandor, City Manager  
Marilyn Miller, City Clerk - Finance Director  
Randy DeGeest, City Attorney  
Vacancy, City Engineer - Public Works Director  
Randy Irwin, Community Development Director  
Francis Glandon, Fire Chief  
John McGee, Police Chief  
Suzann Holland, Library Director

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Oskaloosa, Iowa  
Oskaloosa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oskaloosa, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oskaloosa, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oskaloosa, Iowa, as of June 30, 2004 and the respective changes in financial position – cash basis thereof for the year ended June 30, 2004 in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of component units of the City of Oskaloosa, Iowa, do not purport to, and do not present fairly, respective cash basis financial position and respective changes in cash basis financial position of the City of Oskaloosa, Iowa, as of June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2004 on our consideration of the City of Oskaloosa, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11 and the budgetary comparison information on pages 34 through 36 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the primary government financial statements. The combining and individual nonmajor fund financial statements and other schedules and information, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the primary government financial statements. The accompanying schedule of disbursements of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

The information identified in the table of contents as miscellaneous statistical data is presented for purposes of additional analysis and is not a required part of the primary government financial statements. This information has not been subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on it.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
August 6, 2004

## **City of Oskaloosa, Iowa**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2004**

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It is an honor to present to you the financial activities of the City of Oskaloosa, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Oskaloosa, Iowa for the fiscal year ended June 30, 2004.

#### **FINANCIAL HIGHLIGHTS**

The cash and investments of the City of Oskaloosa at the close of the most recent fiscal year are \$6,221,343 compared to \$5,906,767 as of June 30, 2003.

The government's total cash and investments increased by \$314,576.

The City of Oskaloosa, Iowa's total long-term debt, excluding compensated absences, decreased by \$340,809 during fiscal year ended June 30, 2004.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This Discussion and Analysis is intended to serve as an introduction to the City of Oskaloosa, Iowa's financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

**Government-wide financial statements** – The government-wide financial statement is designed to provide readers with a broad overview of the City of Oskaloosa, Iowa's finances. The statement of activities and changes in cash and investment balances presents information showing how the City's cash and investment balance changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City of Oskaloosa that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Oskaloosa, Iowa include general government, public safety, public works, culture and recreation, community and economic development, capital projects and debt service. The business-type activities of the City of Oskaloosa include the sanitary sewer, airport, Edmundson Golf Course and RACI Main Street loans.

The government-wide financial statements include only the primary government of the City of Oskaloosa, Iowa.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Oskaloosa, Iowa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. Governmental fund information determines whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

## **City of Oskaloosa, Iowa**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2004**

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The City of Oskaloosa, Iowa maintains 37 individual governmental funds. Information is presented separately in the statement of cash receipts, cash disbursements and changes in cash and investment balances for each major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds – The City of Oskaloosa, Iowa maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City of Oskaloosa maintains four enterprise funds. The proprietary fund financial statements provide separate information for the sanitary sewer fund, as this fund is considered to be a major fund of the City of Oskaloosa, Iowa. Data from the other three enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate internally among the City's various functions. The City maintains two internal service funds.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the notes to the financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Table 1 highlights the City's receipts and disbursements for the fiscal years ended June 30, 2004 and 2003.

Receipts are further divided into two major components: program receipts and general receipts. Program receipts are defined as charges for services and sales, operating and capital grants and contributions. General receipts include taxes and other unrestricted revenue sources.

The City's cash balance for governmental activities increased from a year ago, from \$3.9 million to \$4.2 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

The City's total receipts for governmental activities decreased by 32 percent (\$3,956,951). The total disbursements of all programs and services decreased by approximately \$5,535,598 or 41percent with no new programs added this year. The significant decrease in receipts and disbursements was primarily the result of bond proceeds that were issued in the prior year for capital projects.

**City of Oskaloosa, Iowa**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004**

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Receipts:			
Program receipts:			
Charges for services	\$ 412,938	\$ 1,822,529	\$ 2,235,467
Operating grants and contributions	1,220,913	260,705	1,481,618
Capital grants and contributions	-	1,094,120	1,094,120
General receipts:			
Property taxes	3,538,506	-	3,538,506
Other taxes	2,513,230	-	2,513,230
Investment earnings	73,661	180,601	254,262
Other	423,917	28,850	452,767
<b>Total receipts</b>	<b>8,183,165</b>	<b>3,386,805</b>	<b>11,569,970</b>
Disbursements:			
Public safety	1,846,244	-	1,846,244
Public works	983,436	-	983,436
Culture and recreation	830,989	-	830,989
Community and economic development	1,430,433	-	1,430,433
General government	631,360	-	631,360
Debt service	1,455,698	-	1,455,698
Capital projects	787,059	-	787,059
Sewer	-	2,666,470	2,666,470
Airport	-	361,075	361,075
Edmundson Golf Course	-	252,920	252,920
RACI Main Street	-	9,710	9,710
<b>Total disbursements</b>	<b>7,965,219</b>	<b>3,290,175</b>	<b>11,255,394</b>
<b>Increase in cash and investments before transfers</b>	<b>217,946</b>	<b>96,630</b>	<b>314,576</b>
Transfers	12,652	(12,652)	-
<b>Increase in cash and investments</b>	<b>230,598</b>	<b>83,978</b>	<b>314,576</b>
Cash and investments, beginning	3,959,712	1,947,055	5,906,767
Cash and investments, ending	<u>\$ 4,190,310</u>	<u>\$ 2,031,033</u>	<u>\$ 6,221,343</u>



**City of Oskaloosa, Iowa**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004**

Table 1 (Continued) - City of Oskaloosa's Changes in Cash and Investment Balances

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Receipts:			
Program receipts:			
Charges for services	\$ 280,817	\$ 1,675,992	\$ 1,956,809
Operating grants and contributions	1,069,379	-	1,069,379
Capital grants and contributions	-	-	-
General receipts:			
Property taxes	4,069,983	-	4,069,983
Other taxes	2,035,538	-	2,035,538
Investment earnings	79,156	224,119	303,275
Other	4,605,243	9,540	4,614,783
<b>Total receipts</b>	<b>12,140,116</b>	<b>1,909,651</b>	<b>14,049,767</b>
Disbursements:			
Public safety	2,019,309	-	2,019,309
Public works	975,042	-	975,042
Health and social services	-	-	-
Culture and recreation	1,033,935	-	1,033,935
Community and economic development	1,458,190	-	1,458,190
General government	465,778	-	465,778
Debt service	1,446,019	-	1,446,019
Capital projects	6,102,544	-	6,102,544
Sewer	-	1,217,345	1,217,345
Airport	-	80,609	80,609
Edmundson Golf Course	-	254,626	254,626
RACI Main Street	-	-	-
<b>Total disbursements</b>	<b>13,500,817</b>	<b>1,552,580</b>	<b>15,053,397</b>
<b>Increase in cash and investments before transfers</b>	<b>(1,360,701)</b>	<b>357,071</b>	<b>(1,003,630)</b>
Transfers	119,462	(119,462)	-
<b>Increase (decrease) in cash and investments</b>	<b>(1,241,239)</b>	<b>237,609</b>	<b>(1,003,630)</b>
Cash and investments, beginning	5,200,951	1,709,446	6,910,397
Cash and investments, ending	<b>\$ 3,959,712</b>	<b>\$ 1,947,055</b>	<b>\$ 5,906,767</b>

## City of Oskaloosa, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2004

The City increased property tax rates in 2004 by an average of .54 percent to help offset increases in employee salaries, employee benefits and debt payment costs. The City's tax receipts from the tax levy increased by approximately \$53,731 in 2004. The increase is due to additional property values.

The City increased property tax rates in 2003 by an average of 7.4 percent to help offset increases in employee salaries, employee benefits and debt payment costs. The City's tax receipts increased by approximately \$416,643 in 2003.

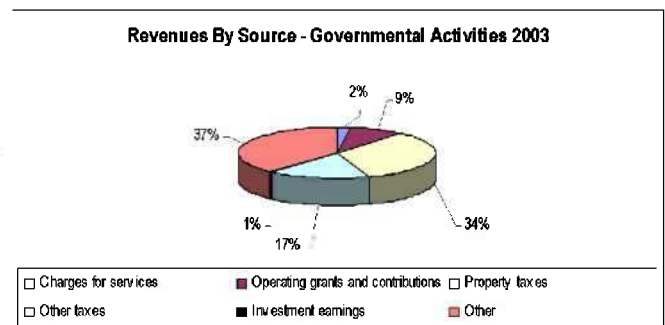
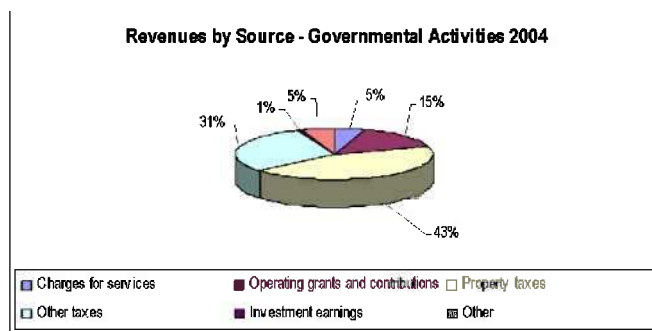
Table 2 below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 2 - Governmental Activities

Programs	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
General government	\$ 631,360	\$ 313,550	\$ 465,778	\$ 308,753
Public safety	1,846,244	1,655,259	2,019,309	1,714,933
Public works	983,436	959,882	975,042	287,336
Culture and recreation	830,989	257,574	1,033,935	907,648
Community and economic development	1,430,433	965,227	1,458,190	1,385,586
Debt service	1,455,698	1,454,010	1,446,019	1,443,821
Capital projects	787,059	725,866	6,102,544	6,102,544
<b>Total</b>	<b>\$ 7,965,219</b>	<b>\$ 6,331,368</b>	<b>\$ 13,500,817</b>	<b>\$ 12,150,621</b>

Net cost of services is 79% and 90% of total cost of services in 2004 and 2003, respectively. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

The graph below shows the percentage of the total governmental activities receipts allocated by each revenue type for 2004 and 2003.

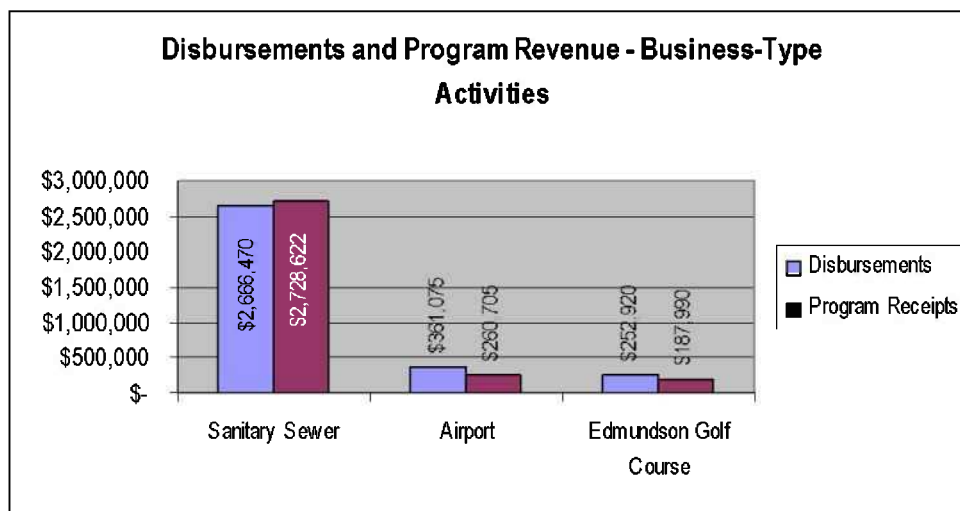


## City of Oskaloosa, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2004

**Business-type activities** - Business-type activities increased the City of Oskaloosa, Iowa's cash and investments by \$83,978. Key elements of this increase are as follows:

- The Sanitary Sewer Fund recorded an increase of \$146,726 in cash and investments for the year. Of this amount, \$38,269 related to an increase in sewer rental fees and \$127,170 from connection fees.
- Total business-type activities' revenue for the fiscal year was \$3,386,805 compared to \$1,909,651 for 2003. For 2004, all but \$209,451 of this revenue was generated for specific business-type activity expenses. This significant increase was due primarily to capitalization sewer loan program to finance sewer improvement projects. Total disbursements for the fiscal year increased by \$1,737,595 due to the sewer improvements project. The graph below shows a comparison between the business-type activity expenditures and program revenues.



- The Airport activity recorded a decrease of \$21,664 in cash and investments for the year. The decrease is due to a required match for the FAA grant for AWOS System and Runway Improvements.
- The Edmundson Gold Course activity recorded a decrease of \$26,981 due to a reduction in the usage of the golf course.
- The RACI Main Street Loans Fund recorded a decrease in cash and investments of \$8,419 for the year. Loans of \$9,658 were made to Main Street businesses.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

## City of Oskaloosa, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2004

#### Governmental Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,432,962, an increase of \$353,612 from the prior year. This increase was due to the sale of the post office and reduced staff and staff benefit.

The Road Use Tax Fund cash balance increased by \$89,065 to \$541,992 during the fiscal year. This increase was due to \$70,811 additional receipts and a reduction in staff.

The Library Maintenance Fund was established by the Local Option Sales and Service Tax Referendum to maintain the Library in future years. The funds are from the Local Option Sales and Service Tax with only interest proceeds from those funds to be expended. At the end of the fiscal year the cash balance was \$1,170,629, a decrease of \$4,435. This year the Library Board and City Council approved spending beyond the interest proceeds.

The Public Library Memorial Fund's cash balance increased \$384,691 to \$445,676 due to \$350,000 bequest.

#### Proprietary Funds

The cash balance of the Sewer Fund increased by approximately \$146,726 to \$1,998,445, due primarily to the increase in sewer rental and connection fees.

#### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget one time. The amendment was approved on March 1, 2004 and results in an increase in operating disbursements related to various projects. The City had sufficient cash balances and revenue to cover the budget amendment.

#### **DEBT ADMINISTRATION**

At year-end, the City had approximately \$13,342,716 in bonds and other long-term debt compared to approximately \$13,683,525 last year as shown below:

Outstanding Debt at Year-End (Expressed in Thousands)			
	2004	2003	
General obligation bonds	\$ 3,995	\$ 4,680	
General obligation notes	2,120	2,425	
Revenue bonds and capital loan notes	6,625	5,878	
Capital leases	341	483	
Iowa Finance Authority loan	44	-	
CEBA	217	217	
<b>Total</b>	<b>\$ 13,342</b>	<b>\$ 13,683</b>	

## **City of Oskaloosa, Iowa**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2004**

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Debt decreased as a result of making scheduled payments.

The City's general obligation bond rating has been A2 since 1999. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,455,682 is well below the City's \$19 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 4 to the financial statements.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget. One of those factors is the economy. Unemployment in Mahaska County now stands at 4.3% versus 4.5% in 2003. This compares with the state's unemployment rate of 4.5% and the national rate of 5.4%. These indicators were taken into account when adopting the budget for 2005.

Legislative changes passed last year after the adoption of the 2003-2004 budget and continuing for the 2004-2005 budget have negatively impacted the City's budget. The state consolidated payment was eliminated completely for a loss of approximately \$165,000 to Oskaloosa. Bank Franchise Fee revenue has been eliminated completely beginning in fiscal year 2004-2005 for a loss of approximately \$57,000. Property tax credit reimbursements and machinery and equipment reimbursements continue to be funded at less than 100%. Utility tax replacement revenue has been negatively impacted by a state settlement with Mid America Energy which reduced the revenue for fiscal year 2004 and for the next two years.

Amounts available for appropriation in the budget increased approximately 35%. The increase is from the anticipated issuance of debt for renovating Edmundson Pool and for equipment purchases for the parks and street departments and housing programs, as well as sanitary sewer improvements.

If estimates are realized, the City's budget cash balance is expected to increase approximately \$380,000 by the end of fiscal year 2005. The increase in fund balance is from projected housing grants and bond sale in fiscal year 2005 to be expended in fiscal years 2005, 2006 and 2007.

#### **REQUESTS FOR INFORMATION**

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the City's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Marilyn Miller, Finance Director, 220 South Market Street, Oskaloosa, Iowa 52577.

City of Oskaloosa, Iowa

Statement of Activities and Changes in Cash and Investment Balances  
Year Ended June 30, 2004

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Function/Programs:				
Governmental activities:				
Public safety	\$ (1,846,244)	\$ 21,113	\$ 169,872	\$ -
Public works	(983,436)	23,554	-	-
Culture and recreation	(830,989)	44,385	529,030	-
Community and economic development	(1,430,433)	79,463	385,743	-
General government	(631,360)	242,735	75,075	-
Debt service	(1,455,698)	1,688	-	-
Capital projects	(787,059)	-	61,193	-
Total governmental activities	(7,965,219)	412,938	1,220,913	-
Business-type activities:				
Sanitary sewer	(2,666,470)	1,634,502	-	1,094,120
Airport	(361,075)	-	260,705	-
Edmundson Golf Course	(252,920)	187,990	-	-
RACI main street	(9,710)	37	-	-
Total business-type activities	(3,290,175)	1,822,529	260,705	1,094,120
Total	\$ (11,255,394)	\$ 2,235,467	\$ 1,481,618	\$ 1,094,120
General receipts:				
Property taxes levied for:				
General purposes				
Debt service				
Tax Increment Financing				
Local option sales tax				
Road use tax				
Other taxes				
Unrestricted investment earnings				
Sale of property				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash balances				
Cash balance beginning of year				
Cash balance end of year				

See Notes to Financial Statements.

Net (Disbursement) Receipts		
Governmental Activities	Business-Type Activities	Total
\$ (1,655,259)	\$ -	\$ (1,655,259)
(959,882)	-	(959,882)
(257,574)	-	(257,574)
(965,227)	-	(965,227)
(313,550)	-	(313,550)
(1,454,010)	-	(1,454,010)
(725,866)	-	(725,866)
(6,331,368)	-	(6,331,368)
-	62,152	62,152
-	(100,370)	(100,370)
-	(64,930)	(64,930)
-	(9,673)	(9,673)
-	(112,821)	(112,821)
(6,331,368)	(112,821)	(6,444,189)
2,723,952	-	2,723,952
814,554	-	814,554
563,080	-	563,080
788,572	-	788,572
911,308	-	911,308
250,270	-	250,270
73,661	180,601	254,262
369,076	-	369,076
54,841	28,850	83,691
12,652	(12,652)	-
6,561,966	196,799	6,758,765
230,598	83,978	314,576
3,959,712	1,947,055	5,906,767
\$ 4,190,310	\$ 2,031,033	\$ 6,221,343

City of Oskaloosa, Iowa

**Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances**  
**Governmental Funds**  
**Year Ended June 30, 2004**

	General	Road Use Tax	Library Maintenance
Receipts:			
Property taxes	\$ 2,024,097	\$ -	\$ -
Other city taxes	96,781	-	-
Licenses and permits	171,987	-	-
Use of money and property	24,666	-	25,450
Intergovernmental	244,727	911,308	-
Charges for services	50,692	-	-
Special assessments	-	-	-
Miscellaneous	96,279	-	-
<b>Total receipts</b>	<b>2,709,229</b>	<b>911,308</b>	<b>25,450</b>
Disbursements:			
Operating:			
Public safety	1,772,454	-	-
Public works	154,793	822,243	-
Culture and recreation	635,624	-	29,885
Community and economic development	141,841	-	-
General government	550,653	-	-
Debt service:			
Principal payments	-	-	-
Interest and other charges	-	-	-
Capital projects	-	-	-
<b>Total disbursements</b>	<b>3,255,365</b>	<b>822,243</b>	<b>29,885</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(546,136)</b>	<b>89,065</b>	<b>(4,435)</b>
Other Financing Sources (Uses):			
Sale of property	243,104	-	-
Proceeds from debt	-	-	-
Transfers in	678,405	-	-
Transfers (out)	(21,761)	-	-
	<b>899,748</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in cash</b>	<b>353,612</b>	<b>89,065</b>	<b>(4,435)</b>
Cash and Investment Balances, beginning	1,079,350	452,927	1,175,064
Cash and Investment Balances, ending	<b>\$ 1,432,962</b>	<b>\$ 541,992</b>	<b>\$ 1,170,629</b>

Amounts reported for governmental activities (page 12) in the statement of activities and changes in cash balances are different because:  
Excess of receipts and other financing sources over disbursements and other financing uses

Internal service funds are used by management to charge the costs of employee health benefits and copier usage to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

Change in cash balances of governmental activities (page 12)

See Notes to Financial Statements.



Local Option Sales and Service Tax		Public Library Memorial		Debt Service	Nonmajor Governmental Funds	Total
Revenue						
\$	-	\$	-	\$ 814,554	\$ 699,855	\$ 3,538,506
	788,572		-	34,859	681,710	1,601,922
	-		-	-	-	171,987
	-		1,813	6,256	11,467	69,652
	-		-	-	222,538	1,378,573
	-		-	-	4,818	55,510
	-		-	1,688	6,876	8,564
	-		440,403	-	323,168	859,850
	788,572		442,216	857,357	1,950,432	7,684,564
	-		-	-	73,075	1,845,529
	-		-	-	-	977,036
	-		57,525	-	107,955	830,989
	788,572		-	-	499,183	1,429,596
	-		-	-	-	550,653
	-		-	-	-	-
	-		-	1,104,000	-	1,104,000
	-		-	351,698	-	351,698
	-		-	-	787,059	787,059
	788,572		57,525	1,455,698	1,467,272	7,876,560
	-		384,691	(598,341)	483,160	(191,996)
	-		-	-	125,972	369,076
	-		-	-	44,387	44,387
	-		-	587,805	570,516	1,836,726
	-		-	-	(1,802,313)	(1,824,074)
	-		-	587,805	(1,061,438)	426,115
	-		384,691	(10,536)	(578,278)	234,119
	-		60,985	6,187	847,504	3,622,017
\$	-	\$	445,676	\$ (4,349)	\$ 269,226	\$ 3,856,136
						\$ 234,119
						(3,521)
						\$ 230,598

City of Oskaloosa, Iowa

**Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances**  
**Proprietary Funds**  
**Year Ended June 30, 2004**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Sanitary Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Receipts:				
Use of money and property	\$ 28,331	\$ 152,270	\$ 180,601	\$ 4,009
Charges for services	1,628,358	188,027	1,816,385	564,766
Special assessments	6,144	-	6,144	-
Miscellaneous	22,490	6,360	28,850	58,519
<b>Total operating receipts</b>	<b>1,685,323</b>	<b>346,657</b>	<b>2,031,980</b>	<b>627,294</b>
Operating Disbursements:				
Business-type activities:				
Operations	682,012	307,712	989,724	-
Nonprogram	-	-	-	636,499
<b>Total operating disbursements</b>	<b>682,012</b>	<b>307,712</b>	<b>989,724</b>	<b>636,499</b>
<b>Excess (deficiency) of operating receipts over operating disbursements</b>	<b>1,003,311</b>	<b>38,945</b>	<b>1,042,256</b>	<b>(9,205)</b>
Nonoperating Receipts (Disbursements):				
Intergovernmental	-	260,705	260,705	-
Capital projects	(1,372,173)	(284,665)	(1,656,838)	-
Proceeds from debt	1,094,120	-	1,094,120	-
Debt service:				
Principal	(347,000)	(28,316)	(375,316)	-
Interest and other charges	(260,673)	(1,940)	(262,613)	-
<b>Total nonoperating receipts (disbursements)</b>	<b>(885,726)</b>	<b>(54,216)</b>	<b>(939,942)</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>117,585</b>	<b>(15,271)</b>	<b>102,314</b>	<b>(9,205)</b>
Other Financing Sources (Uses):				
Transfers in	43,954	2,161	46,115	-
Transfers (out)	(14,813)	(43,954)	(58,767)	-
	29,141	(41,793)	(12,652)	-
<b>Increase (decrease) in cash</b>	<b>146,726</b>	<b>(57,064)</b>	<b>89,662</b>	<b>(9,205)</b>
Cash and Investment Balances, beginning	1,851,719	79,497	1,931,216	353,534
Cash and Investment Balances, ending	<u>\$ 1,998,445</u>	<u>\$ 22,433</u>	<u>\$ 2,020,878</u>	<u>\$ 344,329</u>

Amounts reported for business-type activities (page 12) in the statement of activities and changes in cash balance are different because:

Excess of receipts and other financing sources over disbursements and other financing uses.	\$ 89,662
Internal service funds are used by management to charge the costs of employee health benefits and copier usage to individual funds. The net revenue of certain activities of internal service funds is reported with business-type activities.	(5,684)
Change in cash balance of business-type activities (page 12)	<u>\$ 83,978</u>

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies**

**Nature of operations:**

The City of Oskaloosa, Iowa (City) is a political subdivision of the State of Iowa located in Mahaska County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government.

**Reporting entity:**

Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of Oskaloosa, Iowa is a municipal corporation and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

The financial statements present only the City of Oskaloosa, Iowa (the primary government). The financial statements do not include the component units of the City. The entities discussed below are component units of the City because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issue separate audited financial statements, can be obtained from their respective administrative offices.

The Municipal Waterworks Utility is a separate legal entity. However, it is financially accountable to the City. The Utility is governed by a three-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Municipal Waterworks issues separate audited cash basis financial statements with a fiscal year-end of June 30, which are available at their administrative office.

The Oskaloosa Municipal Housing Agency is a separate legal entity. However, it is financially accountable to the City. The Agency is governed by a five-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Oskaloosa Municipal Housing Agency issues separate audited financial statements with a fiscal year-end of September 30, which are available at their administrative office.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

**Basis of presentation:**

The government-wide financial statement reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. There are no indirect disbursements. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements, cash and investment balances. The various funds are classified as follows in the financial statements:

**Governmental fund types:**

Governmental fund types are those funds through which most governmental functions typically are financed. The following are the City's major governmental funds:

**General Fund** – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Use Tax Fund** – The Road Use Tax Fund is utilized to account for receipt of the allocation from the State of excise taxes on motor fuel and other transportation related sources, to be used for construction, maintenance and supervision of the public streets.

**Library Maintenance Fund** – The Library Maintenance Fund was established with Local Option Sales and Service Tax with the revenues from the tax to be used to preserve and maintain the library facility and its functions and equipment as renovated, expanded, established and reopened to the public in 1997.

**Local Option Sales and Service Tax Revenue Fund** – The Local Option Sales and Service Tax Revenue Fund is utilized to account for the revenues from the State and Local Option Sales and Service Tax and the expenditure of those funds for the specific purpose as set forth in the referendum.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

***Public Library Memorial Fund*** – The Public Library Memorial Fund is utilized to account for gifts, donations, bequests made to the Library and the expenditure of those funds as designated.

***Debt Service Fund*** – The Debt Service Fund is utilized to account for payment of interest and principal on the City's general obligation, special assessment and tax increment financing long-term debt.

The other governmental funds of the City are considered nonmajor and are as follows:

***Special Revenue Funds*** – are used to account for the proceeds of specific revenue sources (other than certain capital projects that are legally restricted to expenditures for specific projects).

Miscellaneous Gifts Fund: The Miscellaneous Gifts Fund is utilized to account for gifts made to various functions of the City and the expenditure of those funds as designated.

Drug Control Safety Program Fund: The Drug Control Safety Program Fund is utilized to account for revenues and expenditures designated for that purpose.

Police Department Specified Fund: The Police Department Specified Fund is utilized to account for funds received and expended by the Police Department for police work.

Wooden Playground Maintenance Fund: The Wooden Playground Maintenance Fund is utilized to account for the revenue received from donations for the wooden playground and the expenditures for that purpose.

Frances Library Memorial Fund: The Frances Library Memorial Fund is utilized to account for the receipt and expense of funds bequest designated for the Library.

Police Forfeiture Fund: The Police Forfeiture Fund is utilized to account for funds received from forfeited property used to supplement the Police Department.

Miscellaneous Grants Fund: The Miscellaneous Grants Fund is utilized to account for the revenue and expenditure of small grants.

Penn Central Mall Acquisition Fund: The Penn Central Mall Acquisition Fund was used for expenditures related to the Penn Central Mall Project reimbursed through Tax Increment Financing.

City Square Community Historic District Fund: The City Square Community Historic District Fund is utilized to account for donations and a grant used in the City Square Community Historic District.

Emergency Fund: The Emergency Fund is utilized to account for the property tax receipts and transfer of funds to the General Fund.

Hotel/Motel Tax Fund: The Hotel/Motel Tax Fund is utilized to account for the receipt of Hotel/Motel Taxes from the state and the expenditure of those funds as designated by the referendum.

Employee Benefits Fund: The Employee Benefits Fund is utilized to account for property tax receipts expended for employee benefits.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

Fire Department FEMA Fund: The Fire Department FEMA Fund is utilized to account for a FEMA Grant designated for the Fire Department.

COPS Fast Grant Fund: The COPS Fast Grant Fund is utilized to account for a Grant designated for the Police Department.

Housing Trust Fund: The Housing Trust Fund is utilized to account for funds received and expended to meet the housing needs of the City.

Tax Increment Fund: The Tax Increment Fund is utilized to account for qualifying Urban Renewal Projects that are funded through additional property taxes in the project areas.

**Capital Projects Funds** – are used to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those that are financed through proprietary funds.

Park Shelter Capital Improvement Fund: The Park Shelter Capital Improvement Fund is utilized to account for the maintenance and construction of Park Shelters through a Park Shelter fee.

2003 G.O. Notes City Hall and Frankel Building Fund: The 2003 G.O. Notes City Hall and Frankel Building Fund was established to account for the receipt of bond funds in 2003 for refinancing City Hall 2001 G.O. Bond, City Hall improvements and Frankel Building improvements.

City Hall Window Project Fund: The City Hall Window Project Fund was established to account for revenue from the sale of alleys to be used for City Hall window replacement and improvements.

Sidewalk Improvement Project Fund: The Sidewalk Improvement Project Fund was established to account for sidewalk improvements made through the sale of bonds, Road Use Tax Funds and special assessments.

City Hall Improvements Fund: The City Hall Improvements Fund was established to account for renovations made to City Hall financed through the sale of bonds.

2005 Street Improvements Fund: The 2005 Street Improvements Fund was established to account for street improvements made in 2005.

2002 Industrial Park Street Improvements Fund: The 2002 Industrial Park Street Improvements Fund was established to account for street improvements made in the Industrial Park in 2002.

2003 Street Improvements Fund: The 2003 Street Improvements Fund was established to account for street improvements made in 2003.

SW Sanitary Sewer Project Fund: The SW Sanitary Sewer Project Fund was established to account for the sanitary sewer improvements made in the southwest part of Oskaloosa through the sale of SRF Revenue Bonds and from sanitary sewer user fees.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

Railroad Crossing Project Fund: The Railroad Crossing Project Fund was established to account for improvements made at railroad crossings.

15<sup>th</sup> Avenue E. Street Project Fund: The 15<sup>th</sup> Avenue E. Street Project Fund was established to account for improvements made on 15<sup>th</sup> Avenue East financed in part by grant funds.

World Food Park Improvement Project Fund: The World Food Park Improvement Project Fund was established to account for the street, sewer and water improvements made in World Food Park.

2004 G.O. Bonds Equip/Housing Fund: The 2004 G.O. Bond Equip/Housing Fund was established to account for bond proceeds used to finance equipment purchases for Parks and Street Departments and Housing programs.

Edmundson Pool Renovation Project Fund: The Edmundson Pool Renovation Project Fund was established to account for the bond proceeds and any additional revenue and expenses to renovate Edmundson Pool.

2001 G.O. Bond Street Fund: The 2001 G.O. Bond Street Fund was established to account for bond funds received in 2001 for street improvements.

**Proprietary fund types:**

Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector.

***Enterprise Funds*** – are utilized to finance and account for the acquisition, operation and maintenance of City facilities and services that are supported by user charges.

The following is the City's major enterprise fund:

***Sanitary Sewer Fund*** – to account for operations of providing sanitary sewer services.

The other enterprise funds of the City are considered nonmajor and are as follows:

Airport Fund – This fund is used to account for the operation and maintenance of the City's airport.

Edmundson Golf Course Fund – This fund is used to account for the operation and maintenance of the City's golf course facility.

RACI Main Street Loans Fund – This fund is used to account for the RACI Grant revolving loan program for Main Street improvements.

***Internal Service Funds*** – are used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City on a cost-reimbursement basis.

Notes to Financial Statements

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**Note 1. Nature of Operations, Reporting Entity, Basis of Presentation and Significant Accounting Policies (Continued)**

The following are the City's internal service funds:

Copier Revolving Fund – To account for the copier and fax services provided to City departments.

Health Insurance Fund – To account for the premiums and the payment of administration, stop loss and life insurance premiums and the payment of medical claims.

**Significant accounting policies:**

Basis of accounting: The City of Oskaloosa, Iowa maintains its financial records and these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, receivables, payables, property and equipment, depreciation and other accrued items, which may be material in amount, are not reflected.

Property taxes: All City property taxes must be certified to the Mahaska County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2004, attached as an enforceable lien on July 1, 2003, with the first half installment being delinquent after September 30, 2003 and the second half installment being delinquent after March 31, 2004.

Investments: Investments are stated at fair value. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Proprietary funds: Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

**Note 2. Budgets and Budgetary Accounting**

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds combined except for internal service funds. The annual budget may be amended during the year utilizing similar statutory prescribed procedures.



Notes to Financial Statements

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**Note 2. Budgets and Budgetary Accounting (Continued)**

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund or fund type. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and nonprogram.

Appropriations as adopted or amended lapse at the end of the fiscal year. The nonprogram disbursements are not budgeted.

**Note 3. Deposits and Investments**

The City's cash and investment accounts as of June 30, 2004 consist of the following:

Petty cash	\$ 325
Checking, savings and money market accounts	5,666,230
Certificates of deposit	500,000
Iowa Public Agency Investment Trust	54,788
	<u>\$ 6,221,343</u>

**Deposits:**

The Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2004 the carrying amount of the City's deposits was \$6,166,230 and the bank balance was \$6,188,580. The entire bank balance of \$6,188,580 was insured or collateralized by investments held by the City's agent in the City's name.

**Investments:**

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposits at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies and certain joint investment trusts.

The City had investments in the Iowa Public Agency Investment Trust with a carrying and fair value of \$54,788 as of June 30, 2004. These investments are not subject to risk categorization.

The City's investments during the year did not vary substantially from those at year-end in amounts or level of risk.

# City of Oskaloosa, Iowa

## Notes to Financial Statements

### Note 4. Long-Term Debt

The following is a summary of the changes in the outstanding long-term debt of the City for the year ended June 30, 2004:

Obligation	Date of Issue	Rate of Interest	Amount Originally Issued	Balance June 30, 2003
General Obligation Bonds:				
Sewer construction	2/1/72	4.50%	\$ 880,000	\$ 5,000
Water, sewer and street improvements	9/1/97	4.35 - 5.15	740,000	635,000
Refunding	5/1/98	5.70 - 6.05	325,000	100,000
Street improvements and equipment	5/1/98	3.95 - 4.40	1,540,000	870,000
Water, sewer and street improvements - World Food Park Improvements	12/1/99	4.45 - 5.40	1,115,000	1,020,000
Street improvements	6/1/00	4.90 - 5.15	1,000,000	950,000
Street improvements	11/1/01	2.80 - 3.70	1,100,000	1,100,000
			<u>\$ 6,700,000</u>	<u>\$ 4,680,000</u>
General Obligation Notes:				
Capital improvements and equipment	5/1/93	3.90 - 5.00	\$ 575,000	\$ 70,000
Refunding	1/1/02	4.00 - 5.50	1,015,000	890,000
Refunding	2/15/03	2.00-3.50	1,505,000	1,465,000
			<u>\$ 3,095,000</u>	<u>\$ 2,425,000</u>
Revenue Bonds and Capital Loan Notes:				
Sewer capital loan notes	3/1/94	4.37	\$ 1,515,000	\$ 1,058,000
Sewer capital loan notes	9/12/94	4.37	471,000	328,000
Sewer capital loan notes	2/16/96	4.19	2,671,000	2,085,000
Sewer revenue refunding capital loan notes	11/27/02	3.00-4.30	1,585,000	1,450,000
Sewer revenue bonds	12/6/02	3.00	4,017,000	957,265
			<u>\$ 10,259,000</u>	<u>\$ 5,878,265</u>
Capital Leases:				
Penn Central Regional Mall parking lot improvements	10/1/86	14.00	\$ 1,125,836	\$ 436,654
Textron Financial - Golf Equipment	4/15/00	6.68	118,674	43,515
John Deere Leasing - Golf Equipment	9/30/99	5.50	30,624	2,829
			<u>\$ 1,275,134</u>	<u>\$ 482,998</u>
Housing Assistance Fund, Iowa Finance Authority loan				
	8/1/03	3.00	<u>\$ 150,000</u>	<u>\$ -</u>
Community Economic Betterment Acct. Loans, Soy Protein Technologies				
	10/10/00	6.00	<u>\$ 250,000</u>	<u>\$ 217,262</u>
Compensated Absences				<u>\$ 448,657</u>

The compensated absences attributable to governmental activities are generally liquidated by the General Fund.

Issued	Redeemed	Balance June 30, 2004	Interest Paid for the Year Ended June 30, 2004	Amount Due In One Year
\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
-	50,000	585,000	30,980	50,000
-	50,000	50,000	6,025	50,000
-	160,000	710,000	37,280	165,000
-				
-	50,000	970,000	52,265	55,000
-	170,000	780,000	48,345	180,000
-	205,000	895,000	36,088	225,000
<u>\$ -</u>	<u>\$ 685,000</u>	<u>\$ 3,995,000</u>	<u>\$ 210,983</u>	<u>\$ 730,000</u>
\$ -	\$ 70,000	\$ -	\$ 1,750	\$ -
-	120,000	770,000	44,563	140,000
-	115,000	1,350,000	37,768	180,000
<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ 2,120,000</u>	<u>\$ 84,081</u>	<u>\$ 320,000</u>
\$ -	\$ 69,000	\$ 989,000	\$ 46,234	\$ 72,000
-	21,000	307,000	14,334	22,000
-	112,000	1,973,000	87,361	117,000
-	145,000	1,305,000	51,953	145,000
1,094,120	-	2,051,385	48,713	149,000
<u>\$ 1,094,120</u>	<u>\$ 347,000</u>	<u>\$ 6,625,385</u>	<u>\$ 248,595</u>	<u>\$ 505,000</u>
\$ -	\$ 114,000	\$ 322,654	\$ 54,000	\$ 131,024
-	25,487	18,028	1,920	18,272
-	2,829	-	20	-
<u>\$ -</u>	<u>\$ 142,316</u>	<u>\$ 340,682</u>	<u>\$ 55,940</u>	<u>\$ 149,296</u>
<u>\$ 44,387</u>	<u>\$ -</u>	<u>\$ 44,387</u>	<u>\$ -</u>	<u>\$ 44,387</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,262</u>	<u>\$ -</u>	<u>\$ 35,714</u>
<u>\$ 139,085</u>	<u>\$ 147,852</u>	<u>\$ 439,890</u>	<u>\$ -</u>	<u>\$ 143,200</u>

# City of Oskaloosa, Iowa

## Notes to Financial Statements

### Note 4. Long-Term Debt (Continued)

On June 30, 2004, the general obligation debt issued by the City did not exceed its legal debt margin compiled as follows:

Assessed valuation		<u>\$ 381,810,211</u>
Debt limit - 5% of total valuation		\$ 19,090,511
Debt applicable to debt limit:		
General obligation bonds	\$ 3,995,000	
General obligation notes	2,120,000	
Capital leases	340,682	6,455,682
<b>Legal debt margin</b>		<u><u>\$ 12,634,829</u></u>

A summary of the City's June 30, 2004 general obligation bonds, general obligation notes, revenue bonds and revenue capital loan notes principal and interest maturities is as follows:

Year Ending June 30,	Total General Obligation Bonds		Total General Obligation Notes		Total Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 730,000	\$ 184,103	\$ 320,000	\$ 75,229	\$ 149,000	\$ 120,510
2006	695,000	151,576	345,000	64,631	154,000	116,040
2007	745,000	121,958	360,000	53,679	159,000	111,420
2008	780,000	89,135	385,000	41,318	163,000	106,650
2009	155,000	54,137	375,000	26,670	168,000	101,760
2010	170,000	46,423	215,000	11,295	173,000	96,720
2011	185,000	37,837	120,000	4,200	179,000	91,530
2012	190,000	28,352	-	-	184,000	86,160
2013	105,000	18,468	-	-	189,000	80,640
2014	115,000	12,902	-	-	195,000	74,970
2015	125,000	5,148	-	-	201,000	69,120
2016	-	-	-	-	207,000	63,090
2017	-	-	-	-	213,000	56,880
2018	-	-	-	-	220,000	50,490
2019	-	-	-	-	226,000	43,890
2020	-	-	-	-	233,000	37,110
2021	-	-	-	-	240,000	30,120
2022	-	-	-	-	247,000	22,920
2023	-	-	-	-	255,000	15,510
2024	-	-	-	-	262,000	7,860
	<u>\$ 3,995,000</u>	<u>\$ 750,039</u>	<u>\$ 2,120,000</u>	<u>\$ 277,022</u>	<u>\$ 4,017,000</u>	<u>\$ 1,383,390</u>

Total Revenue Capital Loan Notes		Total	
Principal	Interest	Principal	Interest
\$ 356,000	\$ 186,907	\$ 1,555,000	\$ 566,749
370,000	173,544	1,564,000	505,791
384,000	159,652	1,648,000	446,709
405,000	144,835	1,733,000	381,938
420,000	128,812	1,118,000	311,379
436,000	111,759	994,000	266,197
452,000	93,613	936,000	227,180
448,000	74,526	822,000	189,038
296,000	55,346	590,000	154,454
309,000	42,705	619,000	130,577
322,000	29,507	648,000	103,775
184,000	15,754	391,000	78,844
192,000	8,045	405,000	64,925
-	-	220,000	50,490
-	-	226,000	43,890
-	-	233,000	37,110
-	-	240,000	30,120
-	-	247,000	22,920
-	-	255,000	15,510
-	-	262,000	7,860
<u>\$ 4,574,000</u>	<u>\$ 1,225,005</u>	<u>\$ 14,706,000</u>	<u>\$ 3,635,456</u>

Notes to Financial Statements

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**Note 4. Long-Term Debt (Continued)**

The resolutions provided for the issuance of the sewer revenue bonds and revenue capital loan notes include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. Sufficient monthly transfers shall be made to a sanitary sewer sinking account for the purpose of making the bond principal and interest payments when due.
- C. Sufficient monthly transfers to the sanitary sewer reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of making bond principal and interest payments should there be insufficient funds available in the sinking account. As of June 30, 2004, \$699,963 of cash and investments is in the reserve account.
- D. Additional monthly transfers of \$950 to the sanitary sewer improvement accounts shall be made until a balance equal to or exceeding \$175,000 has been maintained. Money in the improvement account, not otherwise specifically limited by other provisions, shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the sinking account and the reserve account; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget; payments of rentals on any part of the system or payments due for any property purchased as part of the system and for capital improvements to the system.
- E. All amounts remaining in the sanitary sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sanitary sewer surplus revenue fund. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might be unable to make.

The Iowa Finance Authority loaned the City \$1,515,000 as of March 31, 1994, \$471,000 as of September 12, 1994, \$2,671,000 as of February 16, 1996, \$1,585,000 as of November 27, 2002 and \$4,017,000 as of December 6, 2002 which are evidenced by the issue of Sewer Revenue Bonds and Sewer Revenue Capital Loan Notes for the other issues. Principal and interest payments on the Iowa Department of Natural Resources loans are treated as payments on the Revenue Bonds and Notes.

**Community Economic Betterment Account Loans (CEBA):**

A CEBA loan has been made by the Iowa Department of Economic Development (IDED) to a local business. The funds to repay the loan come from the business recipient. The loan is required to be presented as the City's long-term debt, but the City will not be liable for it if they make a reasonable attempt to collect from the business involved upon default.

Soy Protein Technologies – A \$250,000 loan with a zero percent per annum interest rate for seven years ending December 1, 2007. Monthly payments are receivable for seven years from the business and payable to the Iowa Department of Economic Development for the loan which has a balance of \$217,262 as of June 30, 2004.

# City of Oskaloosa, Iowa

## Notes to Financial Statements

### Note 4. Long-Term Debt (Continued)

#### Capital Leases:

Lease/Purchase Agreement - Penn Central Regional Mall Parking Lot Improvements: The City is buying parking lot improvements. The balance of the obligation is \$322,654 as of June 30, 2004. Monthly payments are \$14,000 including interest at 14%. The contract is collateralized by the purchased property.

Golf Equipment - The City has a lease for golf equipment. The balance of the lease is \$18,028 as of June 30, 2004. Annual payments are \$27,408 with interest at 6.48%. The property collateralizes the agreement.

As of June 30, 2004, the present value of future minimum capital lease payments are as follows:

June 30,	Penn Central	Golf Equipment	Total
2005	\$ 168,000	\$ 18,272	\$ 186,272
2006	168,000	-	168,000
2007	42,000	-	42,000
Total minimum lease payments	378,000	18,272	396,272
Less amount representing interest	55,346	244	55,590
Present value of net minimum capital lease payments	\$ 322,654	\$ 18,028	\$ 340,682

#### Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees and the benefits that would be payable on this liability as of June 30, 2004, primarily relating to the General, Road Use Tax and Sanitary Sewer Funds, is as follows:

Type of Benefit:	
Vacation	\$ 90,718
Sick leave	698,344
<b>Total</b>	<b>\$ 789,062</b>

Sick leave is payable for union employees when used or upon retirement or death and for nonunion employees upon twenty years of service or death. If paid upon retirement or death, half of the total accumulated hours are paid at the then effective hourly rate for that employee. Based on this computation, the maximum accumulated sick leave and benefits payable is half of the amount above or approximately \$349,172 as of June 30, 2004.

Notes to Financial Statements

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**Note 4. Long-Term Debt (Continued)**

**Housing Assistance Fund:**

The City entered into a loan agreement with the Iowa Finance Authority to finance a program to encourage the construction of affordable housing. The City may draw up to \$150,000 and will then lend the proceeds to contractors/developers for construction or rehabilitation of homes for families with incomes of 80% to 110% of the Mahaska County median income. Each draw is due to the state the earlier of nine months from draw date or payment by the contractor to the City. The loan has an attached grant agreement that reduces the interest rate to 3%; however, the rate is 10% in the event of default.

**Note 5. Pension and Retirement Systems**

Two retirement systems, the Iowa Public Employee Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa are in effect for employees of the City. Each of the systems is required by state law to be funded on an actuarial basis, by contributions sufficient to fully fund benefits being credited. One employee, the City Manager, is not covered by the systems mentioned previously, but is covered under the International City Management Association Retirement Corporation (ICMA). All systems are contributory and all full-time employees must participate in one of the retirement systems.

**IPERS:**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$88,233; \$84,899 and \$87,346, respectively, which meet the required minimum contribution each year.

**Municipal Fire and Police Retirement System of Iowa:**

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issued a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 - 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2004, 2003 and 2002 were \$184,479; \$156,970 and \$154,464, respectively, which met the required minimum contribution for each year.



Notes to Financial Statements

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**Note 6. Risk Management and Self-Insured Medical Plan**

The City of Oskaloosa, Iowa has a self-insured Health Care Plan for City employees accounted for in an internal service fund. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the Plan and evaluate claims. The funds of the City are charged a premium based on a range of rates recommended by the third party administrator.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure to the City for claims incurred is limited by the "Stop-loss" feature of the Plan. The maximum exposure for one individual in a twelve-month period is \$25,000, and the maximum exposure for the group as a whole is a computed amount based on 125 percent of the actuarial computed expected claims for the group. Claims in excess of the "stop-loss" ceilings are paid by the "stop-loss" insurance company.

As of June 30, 2004, the Plan held \$333,844 in cash and investments. The estimate of the claims liability was \$98,000 for June 30, 2004 and \$63,000 for June 30, 2003, and includes claims reported but not settled and those incurred but not reported. Claim payments as of June 30, 2004 and 2003 were \$470,552 and \$306,189, respectively.

The City of Oskaloosa, Iowa is also exposed to various risks related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 7. Industrial Development Revenue Bonds**

From time to time, the City has issued industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bond principal and interest do not constitute liabilities of the City.

As of June 30, 2004, there were two series of industrial development revenue bonds outstanding with an aggregate principal amount payable of \$4,155,000.

## City of Oskaloosa, Iowa

### Notes to Financial Statements

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#### Note 8. Deficit Cash Balances

On June 30, 2004, individual funds with deficit cash balances were as follows:

Debt Service	\$ 4,349
Special Revenue:	
Penn Central Mall Acquisition	4,055
City Square Community Historic District	4,934
Tax Increment	39,733
Capital Projects:	
2005 Street Improvements	2,782
2004 GO Bonds Equip/Housing	14
Edmundson Pool Renovation Project	66,862
Enterprise, Edmundson Golf Course	40,411

These temporary cash shortfalls are financed through short-term advances made by other funds within the fund type.

#### Note 9. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

	Transfers In	Transfers Out
General	\$ 678,405	\$ (21,761)
Debt service	587,805	-
Nonmajor governmental funds	570,516	(1,802,313)
Sanitary sewer	43,954	(14,813)
Nonmajor enterprise funds	2,161	(43,954)
<b>Totals</b>	<b>\$ 1,882,841</b>	<b>\$ (1,882,841)</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## Notes to Financial Statements

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### **Note 10. Pending GASB Statement**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City. The statements which will impact the City are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, will be effective for the City beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, issued November 2003, will be effective for the City beginning with its year ending June 30, 2006. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004 will be effective for the City beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

### **Note 11. Construction Commitments**

The City has several construction contract commitments to be financed from capital projects funds. The total outstanding construction commitments of the City as of June 30, 2004 is \$97,771.

### **Note 12. Subsequent Event**

In July 2004, the City authorized the issuance of \$1,600,000 general obligation bonds Series 2004A and \$640,000 general obligation bonds Series 2004B.

City of Oskaloosa, Iowa

Required Supplementary Information

Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances

Budget to Actual (Cash Basis) - All Governmental Fund Types and Enterprise Funds

Year Ended June 30, 2004

	Governmental Fund Types Actual	Enterprise Fund Types Actual	Net
Receipts:			
Property taxes	\$ 3,538,506	\$ -	\$ 3,538,506
Other city taxes	1,601,922	-	1,601,922
Licenses and permits	171,987	-	171,987
Use of money and property	69,652	180,601	250,253
Intergovernmental	1,378,573	260,705	1,639,278
Charges for service	55,510	1,816,385	1,871,895
Special assessments	8,564	6,144	14,708
Miscellaneous	859,850	28,850	888,700
<b>Total receipts</b>	<b>7,684,564</b>	<b>2,292,685</b>	<b>9,977,249</b>
Disbursements:			
Public safety	1,845,529	-	1,845,529
Public works	977,036	-	977,036
Health and social services	-	-	-
Culture and recreation	830,989	-	830,989
Community and economic development	1,429,596	-	1,429,596
General government	550,653	-	550,653
Debt service	1,455,698	-	1,455,698
Capital projects	787,059	-	787,059
Business-type	-	3,284,491	3,284,491
<b>Total disbursements</b>	<b>7,876,560</b>	<b>3,284,491</b>	<b>11,161,051</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(191,996)</b>	<b>(991,806)</b>	<b>(1,183,802)</b>
Other Financing Sources (Uses):			
Sale of property	369,076	-	369,076
Proceeds from debt	44,387	1,094,120	1,138,507
Operating transfers in	1,836,726	46,115	1,882,841
Operating transfers (out)	(1,824,074)	(58,767)	(1,882,841)
	<b>426,115</b>	<b>1,081,468</b>	<b>1,507,583</b>
<b>Excess of receipts and other financing sources over disbursements and other financing uses</b>	<b>234,119</b>	<b>89,662</b>	<b>323,781</b>
Cash and Investment Balances, beginning	3,622,017	1,931,216	5,553,233
Cash and Investment Balances, ending	<b>\$ 3,856,136</b>	<b>\$ 2,020,878</b>	<b>\$ 5,877,014</b>

See Notes to Required Supplementary Information.

Budgeted Amounts		Final to
Original	Final	Actual Variance
\$ 3,536,315	\$ 3,524,934	\$ 13,572
1,495,809	1,591,461	10,461
148,800	165,500	6,487
221,039	250,005	248
1,658,837	2,305,116	(665,838)
1,885,625	1,894,408	(22,513)
-	12,070	2,638
454,268	1,207,686	(318,986)
9,400,693	10,951,180	(973,931)
1,966,890	1,884,883	39,354
1,070,676	1,021,110	44,074
1,500	-	-
875,734	859,168	28,179
1,463,617	1,522,699	93,103
589,696	579,733	29,080
1,457,514	1,455,699	1
2,337,885	2,260,937	1,473,878
2,100,879	3,737,860	453,369
11,864,391	13,322,089	2,161,038
(2,463,698)	(2,370,909)	1,187,107
5,000	258,352	110,724
100,000	1,853,115	(714,608)
5,031,856	3,580,167	(1,697,326)
(5,031,856)	(3,580,167)	1,697,326
105,000	2,111,467	(603,884)
(2,358,698)	(259,442)	583,223
5,553,233	5,553,233	-
\$ 3,194,535	\$ 5,293,791	\$ 583,223

**Required Supplementary Information**  
**Notes to Required Supplementary Information**

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**Budgetary Reporting**

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except for internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, special revenue funds, Debt Service Fund, capital projects funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by \$1,457,698. The budget amendment is reflected in the final budget amount.

City of Oskaloosa, Iowa

**Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment  
Balances (Deficits) - Nonmajor Governmental Funds  
Year Ended June 30, 2004**

	Special Revenue			
	Miscellaneous Gifts	Drug Control Safety Program	Police Department Specified	Wooden Playground Maintenance
Receipts:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other city taxes	-	-	-	-
Use of money and property	343	3	-	53
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	11,925	145	-	-
<b>Total receipts</b>	<b>12,268</b>	<b>148</b>	<b>-</b>	<b>53</b>
Disbursements:				
Operating:				
Public safety	7,317	1,296	449	-
Culture and recreation	3,995	-	-	925
Community and economic development	1,053	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>12,365</b>	<b>1,296</b>	<b>449</b>	<b>925</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(97)</b>	<b>(1,148)</b>	<b>(449)</b>	<b>(872)</b>
Other Financing Sources (Uses):				
Sale of property	-	-	-	-
Proceeds from debt	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(671)	-	-	-
	<b>(671)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in cash</b>	<b>(768)</b>	<b>(1,148)</b>	<b>(449)</b>	<b>(872)</b>
Cash and Investment Balances (Deficits), beginning	32,317	1,167	449	5,496
Cash and Investment Balances (Deficits), ending	<b>\$ 31,549</b>	<b>\$ 19</b>	<b>\$ -</b>	<b>\$ 4,624</b>

(Continued)

Special Revenue					
Frances Library Memorial	Police Forfeiture	Miscellaneous Grants	Penn Central Mall Acquisition	City Square Community Historic District	Emergency
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,984
-	-	-	4,055	-	131
496	135	74	-	30	-
-	-	15,666	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
78	663	-	-	3,392	-
574	798	15,740	4,055	3,422	5,115
-	15,118	5,502	-	-	-
20,194	-	-	-	-	-
-	-	-	-	12,074	-
-	-	-	-	-	-
20,194	15,118	5,502	-	12,074	-
(19,620)	(14,320)	10,238	4,055	(8,652)	5,115
-	1,153	-	-	-	-
-	-	-	-	-	-
-	671	-	-	138	-
-	-	(336)	-	-	(5,115)
-	1,824	(336)	-	138	(5,115)
(19,620)	(12,496)	9,902	4,055	(8,514)	-
46,655	19,688	457	(8,110)	3,580	-
\$ 27,035	\$ 7,192	\$ 10,359	\$ (4,055)	\$ (4,934)	\$ -



City of Oskaloosa, Iowa

**Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances (Deficits) - Nonmajor Governmental Funds (Continued)**  
**Year Ended June 30, 2004**

	Special Revenue			
	Hotel Motel Tax	Employee Benefits	Fire Department FEMA	COPS Fast Grant
Receipts:				
Property taxes	\$ -	\$ 694,871	\$ -	\$ -
Other city taxes	82,841	31,603	-	-
Use of money and property	-	1,193	-	-
Intergovernmental	-	-	247	40,932
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	875
<b>Total receipts</b>	<b>82,841</b>	<b>727,667</b>	<b>247</b>	<b>41,807</b>
Disbursements:				
Operating:				
Public safety	-	-	711	42,682
Culture and recreation	82,841	-	-	-
Community and economic development	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>82,841</b>	<b>-</b>	<b>711</b>	<b>42,682</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>-</b>	<b>727,667</b>	<b>(464)</b>	<b>(875)</b>
Other Financing Sources (Uses):				
Sale of property	-	-	-	-
Proceeds from debt	-	-	-	-
Transfers in	-	-	169	875
Transfers (out)	-	(635,382)	-	-
	<b>-</b>	<b>(635,382)</b>	<b>169</b>	<b>875</b>
<b>Increase (decrease) in cash</b>	<b>-</b>	<b>92,285</b>	<b>(295)</b>	<b>-</b>
Cash and Investment Balances (Deficits), beginning	-	33,754	295	-
Cash and Investment Balances (Deficits), ending	\$ -	\$ 126,039	\$ -	\$ -

(Continued)

Special Revenue		Capital Projects				
		2003 G.O. Notes				
Housing Trust	Tax Increment	Park Shelter Capital Improvement	City Hall and Frankel Building	City Hall Window Project	Sidewalk Improvement Project	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	563,080	-	-	-	-	
2,450	2,059	4,085	59	356	56	
104,500	-	-	-	-	-	
4,818	-	-	-	-	-	
-	482	-	-	-	6,394	
244,506	-	-	-	-	-	
356,274	565,621	4,085	59	356	6,450	
-	-	-	-	-	-	
-	-	-	-	-	-	
442,210	43,846	-	-	-	-	
-	-	7,813	-	2,443	442	
442,210	43,846	7,813	-	2,443	442	
(85,936)	521,775	(3,728)	59	(2,087)	6,008	
110,073	-	-	-	14,108	-	
44,387	-	-	-	-	-	
-	417	-	-	-	-	
-	(585,305)	-	(161,630)	(64,246)	-	
154,460	(584,888)	-	(161,630)	(50,138)	-	
68,524	(63,113)	(3,728)	(161,571)	(52,225)	6,008	
(48,459)	23,380	16,723	161,571	66,254	-	
\$ 20,065	\$ (39,733)	\$ 12,995	\$ -	\$ 14,029	\$ 6,008	

City of Oskaloosa, Iowa

**Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment Balances (Deficits) - Nonmajor Governmental Funds (Continued)**  
**Year Ended June 30, 2004**

	Capital Projects			
	City Hall Improvements	2005 Street Improvements	2002 Industrial Park Street Improvements	2003 Street Improvements
Receipts:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other city taxes	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	12,971	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	26,406	-	443	4,335
<b>Total receipts</b>	<b>26,406</b>	<b>-</b>	<b>13,414</b>	<b>4,335</b>
Disbursements:				
Operating:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	235,928	2,782	-	382,060
<b>Total disbursements</b>	<b>235,928</b>	<b>2,782</b>	<b>-</b>	<b>382,060</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(209,522)</b>	<b>(2,782)</b>	<b>13,414</b>	<b>(377,725)</b>
Other Financing Sources (Uses):				
Sale of property	638	-	-	-
Proceeds from debt	-	-	-	-
Transfers in	225,877	-	-	284,974
Transfers (out)	(16,993)	-	(13,414)	-
	<b>209,522</b>	<b>-</b>	<b>(13,414)</b>	<b>284,974</b>
<b>Increase (decrease) in cash</b>	<b>-</b>	<b>(2,782)</b>	<b>-</b>	<b>(92,751)</b>
Cash and Investment Balances (Deficits), beginning	-	-	-	92,751
Cash and Investment Balances (Deficits), ending	\$ -	\$ (2,782)	\$ -	\$ -

(Continued)

Capital Projects					
SW Sanitary Sewer Project	Railroad Crossing Project	15th Avenue E. Street Project	World Food Park Improvement Project	2004 G.O. Bonds Equip/Housing	Edmundson Pool Renovation Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	38	-	37
-	-	48,222	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	25,000
-	-	48,222	38	-	25,037
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	38,753	17,885	14	91,899
-	-	38,753	17,885	14	91,899
-	-	9,469	(17,847)	(14)	(66,862)
-	-	-	-	-	-
-	-	-	-	-	-
9,772	-	12,370	-	-	-
-	-	(21,839)	(38)	-	-
9,772	-	(9,469)	(38)	-	-
9,772	-	-	(17,885)	(14)	(66,862)
(9,772)	19,926	-	17,885	-	-
\$ -	\$ 19,926	\$ -	\$ -	\$ (14)	\$ (66,862)

City of Oskaloosa, Iowa

Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment  
Balances (Deficits) - Nonmajor Governmental Funds (Continued)  
Year Ended June 30, 2004

	Capital Projects 2001 G.O. Bond		
	Street		Total
Receipts:			
Property taxes	\$ -	\$	699,855
Other city taxes	-		681,710
Use of money and property	-		11,467
Intergovernmental	-		222,538
Charges for services	-		4,818
Special assessments	-		6,876
Miscellaneous	5,400		323,168
<b>Total receipts</b>	<u>5,400</u>		<u>1,950,432</u>
Disbursements:			
Operating:			
Public safety	-		73,075
Culture and recreation	-		107,955
Community and economic development	-		499,183
Capital projects	7,040		787,059
<b>Total disbursements</b>	<u>7,040</u>		<u>1,467,272</u>
<b>Excess (deficiency) of receipts over disbursements</b>	(1,640)		483,160
Other Financing Sources (Uses):			
Sale of property	-		125,972
Proceeds from debt	-		44,387
Transfers in	35,253		570,516
Transfers (out)	(297,344)		(1,802,313)
<b>Increase (decrease) in cash</b>	<u>(262,091)</u>		<u>(1,061,438)</u>
	(263,731)		(578,278)
Cash and Investment Balances (Deficits), beginning	371,497		847,504
Cash and Investment Balances (Deficits), ending	<u>\$ 107,766</u>	<u>\$</u>	<u>269,226</u>

City of Oskaloosa, Iowa

**Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment  
Balances (Deficits) - Nonmajor Enterprise Funds  
Year Ended June 30, 2004**

	Airport	Edmundson Golf Course	RACI Main Street Loans	Total
Operating Receipts:				
Use of money and property	\$ 73,498	\$ 78,559	\$ 213	\$ 152,270
Charges for services	-	187,990	37	188,027
Miscellaneous	5,208	111	1,041	6,360
<b>Total operating receipts</b>	<b>78,706</b>	<b>266,660</b>	<b>1,291</b>	<b>346,657</b>
Operating Disbursements, business-type activities, operations	76,589	221,413	9,710	307,712
<b>Excess of operating receipts over (under) operating disbursements</b>	<b>2,117</b>	<b>45,247</b>	<b>(8,419)</b>	<b>38,945</b>
Nonoperating Receipts (Disbursements):				
Intergovernmental	260,705	-	-	260,705
Capital projects	(284,486)	(179)	-	(284,665)
Debt service:				
Principal payments	-	(28,316)	-	(28,316)
Interest and other charges	-	(1,940)	-	(1,940)
<b>Total nonoperating receipts (disbursements)</b>	<b>(23,781)</b>	<b>(30,435)</b>	<b>-</b>	<b>(54,216)</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(21,664)</b>	<b>14,812</b>	<b>(8,419)</b>	<b>(15,271)</b>
Other Financing Sources (Uses):				
Transfers in	-	2,161	-	2,161
Transfers (out)	-	(43,954)	-	(43,954)
	-	(41,793)	-	(41,793)
<b>(Decrease) in cash</b>	<b>(21,664)</b>	<b>(26,981)</b>	<b>(8,419)</b>	<b>(57,064)</b>
Cash and Investment Balances (Deficits), beginning	75,085	(13,430)	17,842	79,497
Cash and Investment Balances (Deficits), ending	\$ 53,421	\$ (40,411)	\$ 9,423	\$ 22,433

City of Oskaloosa, Iowa

**Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash and Investment  
Balances - Internal Service Funds  
Year Ended June 30, 2004**

	Copier Revolving	Health Insurance	Total
Receipts:			
Use of money and property, interest on investments	\$ 98	\$ 3,911	\$ 4,009
Charges for services:			
Premiums	-	561,166	561,166
Copier and fax services	3,600	-	3,600
Miscellaneous:			
Sale of supplies	234	-	234
Refunds	-	58,285	58,285
<b>Total receipts</b>	<b>3,932</b>	<b>623,362</b>	<b>627,294</b>
Disbursements:			
Nonprogram:			
Personal service	-	633,390	633,390
Contractual services	1,650	-	1,650
Commodities	1,459	-	1,459
<b>Total disbursements</b>	<b>3,109</b>	<b>633,390</b>	<b>636,499</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>823</b>	<b>(10,028)</b>	<b>(9,205)</b>
Cash and Investment Balances, beginning	9,662	343,872	353,534
Cash and Investment Balances, ending	<u>\$ 10,485</u>	<u>\$ 333,844</u>	<u>\$ 344,329</u>

City of Oskaloosa, Iowa

Schedule of Bond and Note Maturities by Issue  
June 30, 2004

Amounts Due For Year Ending June 30,	Water, Sewer and Street Improvements Issued September 1, 1997		Refunding General Obligation Issued May 1, 1998	
	Interest Rates	Amount	Interest Rates	Amount
2005	4.65%	\$ 50,000	6.05%	\$ 50,000
2006	4.70	50,000	-	-
2007	4.75	70,000	-	-
2008	4.80	75,000	-	-
2009	4.90	75,000	-	-
2010	5.00	85,000	-	-
2011	5.05	90,000	-	-
2012	5.15	90,000	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
		<u>\$ 585,000</u>		<u>\$ 50,000</u>

(Continued)



Street Improvements & Equipment Issued May 1, 1998		Water, Sewer and Street Improvements - World Food Park Improvements Issued December 1, 1999		Street Improvements Issued June 1, 2000	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
4.25%	\$ 165,000	4.75%	\$ 55,000	5.05%	\$ 180,000
4.25	175,000	4.85	65,000	5.10	190,000
4.35	180,000	4.90	70,000	5.12	200,000
4.40	190,000	4.95	75,000	5.15	210,000
-	-	5.05	80,000	-	-
-	-	5.10	85,000	-	-
-	-	5.20	95,000	-	-
-	-	5.25	100,000	-	-
-	-	5.30	105,000	-	-
-	-	5.35	115,000	-	-
-	-	5.40	125,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 710,000</u>		<u>\$ 970,000</u>		<u>\$ 780,000</u>	

City of Oskaloosa, Iowa

Schedule of Bond and Note Maturities by Issue (Continued)

June 30, 2004

Amounts Due For Year Ending June 30,	Street Improvements Issued November 1, 2001		Refunding General Obligation (Notes) Issued January 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount
2005	3.05%	\$ 225,000	5.00%	\$ 140,000
2006	3.25	215,000	5.00	135,000
2007	3.55	225,000	5.00	155,000
2008	3.70	230,000	5.25	175,000
2009	-	-	5.50	165,000
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
		<u>\$ 895,000</u>		<u>\$ 770,000</u>

(Continued)

Refunding, Frankel Building, City Hall Improvements Issued February 15, 2003		Sewer Revenue Capital Loan Notes Issued March 1, 1994		Sewer Revenue Capital Loan Notes Issued September 12, 1994	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2.00% \$	180,000	4.37% \$	72,000	4.37% \$	22,000
2.00	210,000	4.37	75,000	4.37	23,000
2.25	205,000	4.37	78,000	4.37	24,000
2.60	210,000	4.37	82,000	4.37	25,000
3.00	210,000	4.37	85,000	4.37	27,000
3.30	215,000	4.37	89,000	4.37	28,000
3.50	120,000	4.37	93,000	4.37	29,000
-	-	4.37	97,000	4.37	30,000
-	-	4.37	101,000	4.37	32,000
-	-	4.37	106,000	4.37	33,000
-	-	4.37	111,000	4.37	34,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$	<u>1,350,000</u>	\$	<u>989,000</u>	\$	<u>307,000</u>

Schedule of Bond and Note Maturities by Issue (Continued)

June 30, 2004

Amounts Due For Year Ending June 30,	Sewer Revenue Capital Loan Notes Issued February 16, 1996		Sewer Revenue Refunding Capital Loan Notes Issued November 27, 2002	
	Interest Rates	Amount	Interest Rates	Amount
2005	4.19%	\$ 117,000	3.00%	\$ 145,000
2006	4.19	122,000	3.00	150,000
2007	4.19	127,000	3.25	155,000
2008	4.19	133,000	3.50	165,000
2009	4.19	138,000	3.75	170,000
2010	4.19	144,000	4.00	175,000
2011	4.19	150,000	4.15	180,000
2012	4.19	156,000	4.30	165,000
2013	4.19	163,000	-	-
2014	4.19	170,000	-	-
2015	4.19	177,000	-	-
2016	4.19	184,000	-	-
2017	4.19	192,000	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
		<u>\$ 1,973,000</u>		<u>\$ 1,305,000</u>

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Sewer Revenue Bonds  
Issued December 6, 2002

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Interest Rates	Amount	Total
3.00% \$	149,000	\$ 1,550,000
3.00	154,000	1,564,000
3.00	159,000	1,648,000
3.00	163,000	1,733,000
3.00	168,000	1,118,000
3.00	173,000	994,000
3.00	179,000	936,000
3.00	184,000	822,000
3.00	189,000	590,000
3.00	195,000	619,000
3.00	201,000	648,000
3.00	207,000	391,000
3.00	213,000	405,000
3.00	220,000	220,000
3.00	226,000	226,000
3.00	233,000	233,000
3.00	240,000	240,000
3.00	247,000	247,000
3.00	255,000	255,000
3.00	262,000	262,000
	<u>\$ 4,017,000</u>	<u>\$ 14,701,000</u>

City of Oskaloosa, Iowa

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

	2004	2003
Receipts:		
Property tax	\$ 3,538,506	\$ 3,401,261
Other city tax	1,601,922	1,624,987
Licenses and permits	171,987	157,762
Use of money and property	69,652	115,630
Intergovernmental	1,378,573	2,148,652
Charges for services	55,510	72,848
Special assessments	8,564	5,646
Miscellaneous	859,850	532,014
<b>Total</b>	<b>\$ 7,684,564</b>	<b>\$ 8,058,800</b>
Disbursements:		
Operating:		
Public safety	\$ 1,845,529	\$ 2,020,246
Public works	977,036	991,869
Culture and recreation	830,989	1,033,935
Community and economic development	1,429,596	1,460,383
General government	550,653	511,618
Debt service	1,455,698	1,446,019
Capital projects	787,059	6,102,544
<b>Total</b>	<b>\$ 7,876,560</b>	<b>\$ 13,566,614</b>

## City of Oskaloosa, Iowa

### Miscellaneous Statistical Data

June 30, 2004

(Unaudited)

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Form of government	Mayor/Council
Area	7.34 square miles
Building permits, fiscal year ending June 30, 2004:	
Permits issued	174
Estimated cost	\$ 9,080,669
Fire protection:	
Number of stations	1
Number of full-time employees	8
Police protection:	
Number of stations	1
Number of full-time employees	16
Recreation:	
Number of parks	5
Number of acres	205
Number of swimming pools	1
Employees of City as of June 30, 2004	162
Schools:	
Public	7
Parochial	1
Population:	
1900	9,212
1910	9,466
1920	9,427
1930	10,123
1940	11,024
1950	11,124
1960	11,053
1970	11,224
1980	10,989
1990	10,600
2000	10,938

City of Oskaloosa, Iowa

**Schedule of Disbursements of Federal Awards**  
**Year Ended June 30, 2004**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Disbursements	Loans Outstanding
<b>Federal Emergency Management Agency:</b>				
Assistance to Firefighters Grant (Direct)	83.554	CS19222601	\$ 247	\$ -
<b>U.S. Department of Justice:</b>				
Bulletproof Vest Partnership Grant Act (Direct)	16.607	3017862	198	-
COPS in School Award (Direct)	16.710	2002SHWX0337	40,932	-
Passed through the Governor's Office of Drug Control Policy:				
Local Law Enforcement Block Grant	16.592	03LE-0119	9,287	-
<b>National Highway Traffic Safety Administration:</b>				
Passed through the DPS/Governor's Traffic Safety Bureau:				
Seat Belt Use Incentive Grant	20.604	PAP 04-157 Task 128	5,073	-
<b>U.S. Department of Transportation:</b>				
Federal Aviation Administration:				
Airports Division (Direct)	20.106	3-19-0072-03-2003	260,705	-
Passed Through the Iowa Department of Transportation:				
Surface Transportation Program	20.205	STP-U-5780(608)--70-62	48,222	-
<b>Environmental Protection Agency:</b>				
Passed through the Iowa Department of Natural Resources:				
Capitalization Grants for State Revolving Fund	66.458	CS19222601	911,767	4,780,880
			<u>\$ 1,276,431</u>	<u>\$ 4,780,880</u>

\* Loan balance calculated as: Total debt less amount held by Trustee less the sum of amounts held in the sinking, reserve and improvements funds of the Sanitary Sewer Enterprise.

See Note to Schedule of Disbursements of Federal Awards.



**City of Oskaloosa, Iowa**

**Note to Schedule of Disbursements of Federal Awards  
Year Ended June 30, 2004**

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**Basis of Presentation:**

The accompanying Schedule of Disbursements of Federal Awards includes the federal grant activity of the primary government of the City of Oskaloosa, Iowa and is presented on the basis of cash receipts and cash disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in preparation of the primary government financial statements.

City of Oskaloosa, Iowa

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2004

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Comment		Status	Corrective Action or Other Explanation
<b>Reportable Condition:</b>			
03-I-A	Inadequate segregation of duties over cash receipts.	Not corrected	See corrective action plan at 04-I-A.
<b>Findings Related to Required Statutory Reporting:</b>			
03-IV-G	Council minutes for the March 17, 2003 meeting were not published timely.	Corrective Action Taken	N/A
03-IV-J	Refinancing bonds were paid from the capital projects fund rather than the debt service fund.	Corrective Action Taken	N/A

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Internal Control and on Compliance and Other Matters Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council  
City of Oskaloosa, Iowa

We have audited the accompanying financial statements, as listed in the table of contents, of the City of Oskaloosa, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated August 6, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the primary government of the City of Oskaloosa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the primary government of the City of Oskaloosa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-I-A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated August 6, 2004.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's primary government financial statements are free of material misstatement, we performed tests of the primary government of the City's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the primary government financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

We noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
August 6, 2004

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and  
Members of the City Council  
City of Oskaloosa, Iowa

### **Compliance**

We have audited the compliance of the primary government of the City of Oskaloosa, Iowa with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. The primary government of the City of Oskaloosa, Iowa's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the primary government of the City of Oskaloosa, Iowa's management. Our responsibility is to express an opinion on the primary government of the City of Oskaloosa, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the primary government of the City of Oskaloosa, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the primary government of the City of Oskaloosa, Iowa's compliance with those requirements.

In our opinion, the primary government of the City of Oskaloosa, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

## Internal Control Over Compliance

The management of the primary government of the City of Oskaloosa, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the primary government of the City of Oskaloosa, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
August 6, 2004

**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**I. Summary of the Independent Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with  
Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards:**

1. Reportable Conditions in Internal Control

**04-I-A**

Finding: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. In gaining an understanding of the City of Oskaloosa, Iowa's internal control system, the following segregation of duties problem was identified:

Condition: The two employees in the City Clerk's office collect cash receipts, record collections and maintain custody of collections until deposit. As a result, the City has an inadequate segregation of duties over cash receipts.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend segregating the duties of collecting cash receipts and posting them to the general ledger.

Response and Corrective Action Planned: This recommendation is accepted. The City will look to realign and reassign duties where practical.

2. Compliance Findings

The audit of the financial statements disclosed no instances of noncompliance that are required to be reported herein under Generally Accepted Governmental Accounting Standards (GAGAS).

**III. Findings and Questioned Costs for Federal Awards**

None



**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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**IV. Findings Related to Required Statutory Reporting:**

04-IV-A - Official Depositories: A resolution naming official depositories has been adopted by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

04-IV-B - Certified Budget: Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

04-IV-C - Questionable Disbursements: No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-IV-D - Travel Expense: No disbursements of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

04-IV-E - Business Transactions: The audit identified business transactions between the City and City officials and employees. Two business transactions totaling \$254.05 were with Besco Electric, owned by Tim Besco, City Fire Department employee. The transaction was for installation work in the fire department. Three business transactions totaling \$4,115 were with Tim Nance and Mark Neff, firefighters. The transactions were for painting services. In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions do not appear to represent conflicts of interest.

04-IV-F - Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

04-IV-G - Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not. The City published the minutes of the Council proceedings as required by Chapter 372.13(6) of the Code of Iowa.

04-IV-H - Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa or the City's investment policy.

04-IV-I - Revenue Bonds: The City established the sinking and reserve accounts required by the sanitary sewer bonds resolution.

04-IV-J - Payment of General Obligation Bonds: General obligation bond payments were paid from the Debt Service Fund in compliance with Chapter 384.4 of the Code of Iowa.

04-IV-K - Economic Development: We noted no instances of noncompliance with the public purpose provisions of Chapter 15A of the Code of Iowa pertaining to economic development.

04-IV-L - Notice of Public Hearing for Public Improvements: We noted no instances of noncompliance with the Chapters 384.102 and 362.3 of the Code of Iowa.

04-IV-M - Sales Tax: We noted no instances of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

## City of Oskaloosa, Iowa

### Schedule of Findings and Questioned Costs Year Ended June 30, 2004

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04-IV-N - Financial Condition: The City operates on the basis of cash receipts and cash disbursements; therefore, fund balances are not applicable. However, the following funds had a deficit balance as of June 30, 2004:

Debt Service	\$ 4,349
Special Revenue:	
Penn Central Mall Acquisition	4,055
City Square Community Historic District	4,934
Tax Increment	39,733
Capital Projects:	
2005 Street Improvements	2,782
2004 GO Bonds Equip/Housing	14
Edmundson Pool Renovation Project	66,862
Enterprise, Edmundson Golf Course	40,411

**Recommendation:** The City should investigate alternatives to eliminate the deficits in order to return the funds to sound financial position.

**Response:** The deficit balances will be eliminated with revenues from bond proceeds, taxes and grants in future years. For the Edmundson Golf Course, the Park Board is investigating the current rate structure to offset the losses in the next 2-3 years and, in addition, has reduced spending.

**Conclusion:** Response accepted.

City of Oskaloosa, Iowa

Corrective Action Plan  
Year Ended June 30, 2004

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<b>Current Number</b>	<b>Comment</b>	<b>Corrective Action Plan</b>	<b>Anticipated Date of Completion</b>	<b>Contact Person</b>
04-I-A	Inadequate segregation of duties over cash receipts.	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	June 2005	Marilyn Miller City Clerk/ Finance Director
04-IV-N	Several funds had a deficit balance at year-end.	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	June 2005	Marilyn Miller City Clerk/ Finance Director